

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 COME-00 CIAE-00 INR-07 NSAE-00

/027 W

----- 088618

R 061526Z FEB 76

FM AMEMBASSY WARSAW

TO SECSTATE WASHDC 9685

INFO AMCONSUL KRAKOW

AMCONSUL POZNAN

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E.O. 11652: N/A

TAGS: ETRD, ECON, PL

SUBJECT: TOURISM IN POLAND

REF 76 STATE 265651, CER 5-59465

THE INFORMATION IN THIS RESPONSE TO THE REF IS BASED ON PERSONAL INTERVIEWS WITH OFFICIALS OF THE UNION OF THE TOURIST ECONOMY, WHICH SUPERVISES ALL TOURISM IN POLAND, AND ORBIS, THE MAIN POLISH TOURIST AGENCY. THE PARAGRAPHS OF THIS RESPONSE ARE NUMBERED TO CORRESPOND WITH THE QUESTIONS IN REF.

1. THE NUMBER OF FOREIGN TOURISTS ARRIVING IN POLAND ROSE FROM 1.8-MILLION IN 1970 TO 7.8-MILLION IN 1974, THE LAST YEAR FOR WHICH DATA ARE AVAILABLE. THE VAST MAJORITY OF THESE TOURISTS CAME FROM OTHER "SOCIALIST" COUNTRIES, PARTICULARLY THE GDR. THE NUMBER OF TOURISTS ARRIVING FROM THE "NON-SOCIALIST" COUNTRIES ROSE FROM APPROXIMATELY 280-THOUSAND IN 1970 TO 672-THOUSAND IN 1974. MUCH OF THIS INCREASE WAS ACCOUNTED FOR BY TOURISTS ARRIVING FROM THE FRG AS A RESULT OF IMPROVED RELATIONS WITH THAT COUNTRY. ORBIS OFFICIALS EXPECT THAT THE RATE OF INCREASE OF WESTERN TOURISTS ARRIVING IN POLAND WILL BE 15-20 PERCENT OVER THE LONG TERM.

2. TOURISM HAS BEEN AND CONTINUES TO BE LIMITED BY THE LACK

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OF ADEQUATE ACCOMMODATIONS. ACCORDING TO ORBIS OFFICIALS,

THE NEED FOR ADDITIONAL ACCOMMODATIONS IS GREATEST IN THE
BALTIC SEACOAST AREA, IN WARSAW, AND IN KRAKOW.

3. HARD-CURRENCY INVESTMENT DURING THE PERIOD 1976-80 WILL
BE LESS THAN IT WAS DURING THE 1971-75 PERIOD. THE ORBIS
INVESTMENT DIRECTOR EXPLAINED THAT THIS IS DUE TO THE
GENERAL SHORTAGE OF HARD CURRENCY. PROJECTS TO BE UNDERTAKEN
BEFORE 1980 WILL BE LARGER IN SIZE, BUT FEWER IN NUMBER.
ORBIS, WHOSE HOTELS ACCOMMODATE MOST HARD-CURRENCY TOURISTS,
HAS ABOUT 30,000 BEDS AVAILABLE NOW AND EXPECTS TO HAVE ABOUT
50,000 BY 1980. THIS INCREASE INCLUDES PROJECTS WHICH ARE
ALREADY UNDERWAY, SUCH AS THE NEW LUXURY-CLASS HOTEL
VICTORIA IN WARSAW AND THE HOLIDAY INN AT KRAKOW, WHICH
WILL OPEN THIS MONTH.

4. DISCUSSIONS ARE UNDERWAY WITH HILTON REGARDING A MANAGEMENT
CONTRACT FOR THE HOTEL THAT WILL BE LOCATED IN THE NEW LOT
AIRLINES BUILDING TO BE CONSTRUCTED IN DOWNTOWN WARSAW.
TO THE BEST OF OUR KNOWLEDGE, HILTON IS THE ONLY WESTERN
FIRM THAT IS NOW NEGOTIATING A HOTEL-MANAGEMENT CONTRACT
WITH POLAND, BUT WE EXPECT THAT OTHER WESTERN FIRMS THAT
HAVE DONE WORK HERE IN THE PAST WILL BE IN A GOOD POSITION
TO COMPETE FOR FUTURE CONTRACTS. THESE FIRMS INCLUDE INTER-
CONTINENTAL, HOLIDAY INN, AND NOVOTEL OF FRANCE, EACH OF
WHICH HAS A MANAGEMENT CONTRACT HERE, AND SKANSKA CEMENT-
GJUTERIET (SWEDEN) AND SODETEG (FRANCE), WHICH HAVE CON-
STRUCTED HOTELS HERE.

5. ORBIS OFFICIALS EXPRESSED SATISFACTION WITH THE HOTEL-
CONSTRUCTION AND MANAGEMENT WORK DONE IN POLAND BY WESTERN
FIRMS, AND REPEATED THAT IT IS ONLY THE LACK OF FOREIGN
EXCHANGE THAT PREVENTS ORBIS FROM CONTRACTING FOR MORE. ORBIS
HOTELS HAD A 70-PERCENT OCCUPANCY RATE DURING 1975. THE
HOTEL CRACOVIA IN KRAKOW ACTUALLY ACHIEVED A RATE OF 110-
PERCENT OF ITS NORMAL CAPACITY DURING THE SUMMER MONTHS OF
1975 BY ADDING ADDITIONAL BEDS. WESTERN MANAGEMENT CONTRI-
BUTES TO SMOOTH OPERATION, PRINCIPALLY THROUGH THE
TRAINING PROVIDED AS PART OF THE MANAGEMENT CONTRACT, BUT
SERVICE IN POLISH HOTELS IS USUALLY INFERIOR BY WESTERN
STANDARDS. OFTEN THIS IS DUE MORE TO THE LACK OF INCENTIVE
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THAN TO THE LACK OF TRAINING.

6. ROOM RATES IN POLISH HOTELS, WHETHER CONSTRUCTED BY
FOREIGN OR DOMESTIC FIRMS, ARE DETERMINED BY THE CLASS
AND LOCATION OF THE HOTEL. IN EVALUATING A NEW INVESTMENT,
ORBIS TAKES THESE RATES AS GIVEN, ESTIMATES THE LIKELY
OCCUPANCY RATE OF THE NEW HOTEL, AND DETERMINES WHETHER THE
HOTEL WILL BE ABLE TO REPAY ITS HARD-CURRENCY COSTS

WITHIN SEVEN YEARS. IF NOT, THE INVESTMENT IS REJECTED.

7. THE POLISH CONSTRUCTION INDUSTRY IS NOTED FOR ITS INEFFICIENCY, AND ITS RESOURCES WILL BE FURTHER STRETCHED DURING THE NEXT FIVE YEARS BY DEMAND FOR INCREASED HOUSING CONSTRUCTION. THEREFORE, IT IS NOT SURPRISING THAT WESTERN FIRMS CAN BUILD HOTELS IN A MUCH SHORTER TIME THAN THEIR POLISH COUNTERPARTS.

8. POLISH TOURISM OFFICIALS TRY TO ACCOMMODATE ALL THE TOURISTS THEY CAN, REGARDLESS OF ORIGIN, BUT HARD-CURRENCY INVESTMENTS ARE EVALUATED ON THE BASIS OF THEIR ABILITY TO REPAY HARD-CURRENCY COSTS WITHIN SEVEN YEARS. NATURALLY, THESE INVESTMENTS ARE FOUND ONLY WHERE HARD-CURRENCY TOURISTS ARE LIKELY TO USE THEM.

9. ORBIS OWNS ONLY THIRTY HOTELS OF THE 565 THAT ARE NOW IN OPERATION IN POLAND, BUT, AS NOTED ABOVE, MOST WESTERN VISITORS ARE HOUSED IN ORBIS HOTELS. THE HOTEL IN THE NEW LOT AIRLINES BUILDING, HOWEVER, WILL BE OWNED AND OPERATED BY LOT. ORBIS OFFICIALS ADMITTED SOMEWHAT RELUCTANTLY THAT LOT IS ENTITLED TO THIS HOTEL SINCE IT WILL BE IN THE LOT BUILDING AND WILL BE USED PRIMARILY BY LOT PASSENGERS.

10. POLAND HAS CONCLUDED TWO TYPES OF AGREEMENTS WITH WESTERN FIRMS. ONE OF THESE IS THE FRANCHISE ARRANGEMENT WHICH WAS USED FOR THE HOLIDAY INN AT KRAKOW. THE OTHER IS A MANAGEMENT CONTRACT SUCH AS INTERCONTINENTAL HAS SIGNED FOR THE FORUM HOTEL. BOTH FORMS PROVIDE TRAINING, MARKETING, AND CONNECTION WITH A RESERVATION SYSTEM.

11. ORBIS OFFICIALS SAY THAT ABOUT HALF OF ALL WESTERN TOURISTS COME TO POLAND ON SOME SORT OF PACKAGE TOUR.
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IGNORING DIFFERENCES IN THE QUALITY OF ACCOMMODATIONS AND SERVICES, POLAND CAN BE SAID TO BE SLIGHTLY CHEAPER THAN WESTERN EUROPE. NEVERTHELESS, A SINGLE ROOM AT THE FORUM HOTEL IN WARSAW COSTS ABOUT \$30 PER NIGHT AT THE TOURIST RATE OF EXCHANGE, AND PRICES AT THE NEW LUXURY-CLASS HOTEL VICTORIA WILL BE EVEN HIGHER. THE PRICES OF GOODS AND SERVICES CONSUMED BY WESTERN TOURISTS HAVE BEEN RAISED REGULARLY TO KEEP THEM MORE OR LESS IN LINE WITH SIMILAR COSTS IN WESTERN EUROPE. WESTERN TOURISTS CAN STAY IN TOP-CLASS HOTELS OR CAMP, BUT THERE ARE NO CLEAN, CHEAP ACCOMMODATIONS THAT WOULD CORRESPOND TO THE PENSIONS FOUND IN WESTERN EUROPE.
DAVIES

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TOURISM, SURVEYS
Control Number: n/a
Copy: SINGLE
Draft Date: 06 FEB 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976WARSAW00774
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760047-0058
From: WARSAW
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760272/aaaacihg.tel
Line Count: 166
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 STATE 265651
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 03 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 MAY 2004 by greeneet>; APPROVED <02 JUN 2004 by morefirh>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: TOURISM IN POLAND
TAGS: ETRD, ECON, PL
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006